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July 8, 1996

William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M St., N.W.
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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Re: Request For Supplemental Comments in Local Competition
Proceeding, CC Docket No. 96-98

Dear Mr. Caton:

On June 17, 1996, the Commission's Industry Analysis Division released a detailed simulation model intended to predict the financial effects of "particular changes in the industry" on traditional telecommunications industry segments. On June 20, the Commission released a Public Notice inviting parties who wish to use the model in the Commission's pending rulemaking proceeding directed toward adopting rules to implement the local competition provisions of the Telecommunications Act of 1996 ("Act")¹ to file comments on the model. This letter represents the views of the Competitive Telecommunications Association ("CompTel")² on this issue.

As a threshold matter, CompTel supports the Commission's overall effort to model the effects of the Act on particular industry segments, and commends the staff of the Industry Analysis Division for developing such a detailed analytical tool in such a short period of time. However, CompTel has serious concerns regarding the model. These concerns fall into three categories: (1) the amount of time available for review of the model; (2) the application of the model to the issues being addressed in CC Docket No. 96-98; and (3) the limited ability to use the model in its present form to consider the various local service entry approaches available to carriers.

First, CompTel recognizes that the Commission is facing severe time and resource

¹ In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, Notice of Proposed Rulemaking, released April 19, 1996.

² CompTel is a national industry association representing approximately 180 competitive telecommunications service providers.

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constraints in working to implement the basic provisions of the Act within the time frames mandated by Congress. Although the staff's "industry model" could ultimately prove to be an important contribution to debate and decisionmaking, it can only become so after careful evaluation and refinement. However, it is impossible for that process to take place in the time period presently available for comment. The present comment opportunity is simply too short to enable anything more than a superficial review of the model. Therefore, CompTel cannot at this time verify that the model is a useful predicative tool upon which the Commission can rely

Second, CompTel does not believe that it is necessary for the Commission to conclude its evaluation of the staff's "industry model" within the accelerated schedule imposed by CC Docket No. 96-98. In that proceeding, the Commission must adopt rules implementing the interconnection, unbundling and resale obligations and pricing requirements of Sections 251 and 252 of the Act by August 8. A financial simulation model is not necessary or appropriate for purposes of achieving a first-level unbundling of the incumbent local exchange carriers' ("ILECs") networks, introducing wholesale local exchange services for resale, or developing appropriate pricing rules reflecting basic principles of economic pricing, as required by Sections 251 and 252. Decisions regarding these critical issues can and should be based on the explicit language of the Act, with a clear recognition of the new competitive and jurisdictional paradigm contained in the Act.

The Commission should understand that *even after* it has issued final rules in CC Docket No. 96-98, it will take many months for the unbundling (including the development, BETA-testing and implementation of operational systems to support broad-based local entry) and pricing it orders to become a reality. Further, CompTel has proposed that the Commission defer the effective date of the Section 252 pricing rules for the most prevalent interconnection arrangement -- what today is labeled exchange access -- until it can integrate this pricing change with the outcome of its ongoing universal service proceeding.³ CompTel recommends that the Commission gather comment on the staff's "industry model" in the universal service proceeding,⁴ where both the issues and time requirements are more consistent with the complexity and purpose of the model.

³ CC Docket No. 96-98. Comments of the Competitive Telecommunications Association at 81-88.

⁴ In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45.

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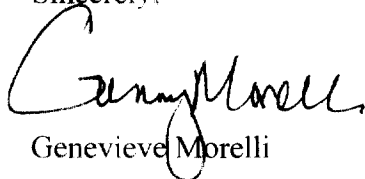
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Finally, based on the limited review possible under the present comment deadline, CompTel is concerned by the model's limited ability to fully capture the effects of the diverse methods of local service entry contemplated by the Act. It appears that the model in its present form requires that the complete universe of local entry options -- resale, varying combinations of unbundled network elements, and full facilities deployment -- must be collapsed to a single entry measure (i.e., the loop) for modeling. CompTel has begun exploring whether a complimentary "front-end" model could be developed to reflect varying proportions of these different entry strategies and their cost, but this effort will not be completed within the time frame for adoption of rules in CC Docket No. 96-98. CompTel does not believe, however, that any model will be able to accurately simulate financial impacts without considering this variable in greater detail.

In conclusion, CompTel encourages the Commission to continue developing a financial simulation model to assist in consideration of transitional mechanisms integrating exchange access and universal service reform. However, the Commission's core decisions in its Section 251 proceeding -- identifying the network elements which must be unbundled and made available, defining wholesale local service offerings for resale, and adopting pricing rules based on sound economic principles as well as the plain language of the Act -- need not and should not await refinement of the model.

Sincerely,

A handwritten signature in black ink, appearing to read "Genevieve Morelli". The signature is fluid and cursive, with a large initial "G".

Genevieve Morelli